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97TH CONGRESS
2d Session

SENATE

REPORT
No. 97-362

EMERGENCY MORTGAGE INTEREST REDUCTION PAYMENTS ACT OF 1982

REPORT

OF THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

TO ACCOMPANY

S. 2226

together with

ADDITIONAL VIEWS

APRIL 27 (legislative day, APRIL 13), 1982.—Ordered to be printed

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CONTENTS

	Page
History of legislation	1
Summary and highlights	1
Section-by-section summary	3
Ratio allocation formula	6
Regulatory impact statement	7
Cordon rule	7
Fiscal impact statement	7
Additional views	9

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APRIL 27 (legislative day, APRIL 13), 1982.—Ordered to be printed

Mr. LUGAR, from the Committee on Banking, Housing, and Urban Affairs, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 2226]

The Committee on Banking, Housing, and Urban Affairs, to which was referred the bill (S. 2226) to amend the National Housing Act to provide for emergency interest reduction payments and for other purposes, having considered the same, reports favorably thereon with an amendment, and recommends that the bill, as amended, do pass.

HISTORY OF LEGISLATION

On March 17, 1982 Senator Richard Lugar with 19 cosponsors introduced S. 2226 to provide federal mortgage assistance in order to stimulate employment in the housing and construction industry.

The Subcommittee on Housing and Urban Affairs held a hearing on March 23, 1982 to consider the economic stimulus, cost, and potential effects of the legislation. The witnesses were overwhelmingly in favor of the proposal and urged speedy action. On April 21, the full committee met, and ordered the bill favorably reported by a vote of 15–0.

SUMMARY AND HIGHLIGHTS

Due to the high unemployment and economic hardship caused by persistently high interest rates, the Committee has approved S. 2226 to provide a counter-cyclical stimulus to the economy. The Committee chose a program focused on single-family new construction because

of the speed with which that industry can accommodate new activity, hire additional workers. and generate additional employment. The legislatien will create 700,000 new jobs in all regions of the country. It can be implemented quickly and effectively to help lead the economy out of the current recession.

In choosing this focus, the Committee rejected amendments to broaden the legislation to include assistance to families facing foreclosure. to finance re-sales of homes, to finance the inventory of unsold homes held by builders, and other programs to assist families in need. The Committee recognizes the tremendous needs of many sectors of the economy but has limited its action to a highly targeted jobs program which utilizes the home construction industry.

The Committee recognized the critical nature of the current situation and has acted quickly to develop an emergency program. In only six weeks the Committee reviewed the proposal, held hearings and reported legislation to the Senate.

In keeping with the emergency nature of the legislation the program has a number of features which limit the use and life of authority provided under the Act. The program will remain in effect only as long as mortgage interest rates remain above 12.5 percent and then only until November 1, 1982. The Committee has not created a permanent housing program, it has created a short-term emergency stimulus program.

The program is also limited in scope. It provides repayable mortgage assistance to low and moderate income families purchasing moderately priced homes. Income limits have been established at $30,000 with adjustment to $37,000 possible in high cost areas. Similarly mortgage limits have been set at 67,500 except in higher cost areas where the Secretary of HUD has authority to assist mortgages up to $77,625.

In order to limit the impact of this program on the federal budget, the legislation has been designed to spread the payment of assistance over five years and require repayment of the assistance when the home is sold or refinanced. Moreover because the new jobs created by this legislation will produce approximately 2.5 billion in additional income taxes in the first year, the Committee believes that the legislation will not have a cost impact on the buget until fiscal year 1984 and ultimately most if not all assistance will be repaid.

The legislation will provide mortgage assistance to 370,000–450,000 families who purchase newly constructed homes or substantially rehabilitated homes which meet the requirements of the Act. The assistance is a 4 percent interest reduction or a reduction of the market interest rate to 11 percent whichever is less. The legislation authorizes $1 billion in the first year and will reach a maximum cost of $5.12 billion if every loan is assisted for the full five years. The interest reduction will be provided on a mortgage commonly known as a growing equity mortgage.

Under this plan, first popularized by Merrill Lynch, a family's mortgage payment increases each year but all of the additional payment is used to make principal payments on equity. As passed, a family's payments would increase by 0.75% of the mortgage amount each year for five years. On a $65,000 mortgage the additional payment equals $40 per month.

By this sixth year the family's payment has increased to a level to the original market rate payment, the assistance ends, and the family is required to make the full payment on the loan at the market interest rate at the time the home was purchased. However the family will have paid $8,271 in principal payments. If the family had not used a GEM mortgage they would have earned only $780 in equity. By paying the loan off more quickly, the family would save $119,380 in interest payments over the life of the mortgage. More importantly a family would face a $200 increase in monthly payments at the end of the fifth year if the payment did not increase gradually. The increased equity payments also ensure that the family will be able to repay the assistance provided when the home is sold or refinanced. Unlike other variable payment mortgage programs, this mortgage does not confront a consumer with increased interest costs, unknown monthly expenses, balloon payments, or negative amortization.

The Committee has produced a highly targeted, economic stimulus program which has the potential of adding hundreds of thousands of new jobs within the next few months. It is a limited program that provides minimal, repayable assistance in a manner which fully protects the government's interest.

By reporting legislation within 6 weeks and with a 15–0 vote the Committee has demonstrated its view of the extreme need for this legislation and the need for speedy action by the Senate.

SECTION-BY-SECTION SUMMARY

Section 247 authorizes the Secretary of HUD through the Government National Mortgage Association to make and to contract to make payments to lenders or their transferees to reduce the cost of home loans to families eligible under the Act.

All mortgage lenders would be eligible including banks, Savings and Loan Associations, Mutual Savings banks, Credit Unions, Mortgage bankers, and State Housing Finance Agencies. Eligible loans include mortgages on detached and attached homes of 1–4 units including condominiums, loans secured by shares in cooperative associations, loans secured by a manufactured home in the case of manufactured home loans that are other than mortgages, and loans to finance the purchase and rehabilitation of homes in need of substantial rehabilitation.

Section 247(b) prohibits the Secretary from entering into new mortgage assistance agreements if market mortgage rates fall to 12.5% (as measured by the FHLBB index for conventional home mortgage loans closed) for two months. This provision ensures that the program retains its emergency character and does not create inflationary pressure in the event of a strong market recovery during the life of the program.

Section 247(c) authorizes the Secretary to assist FHA insured mortgages and non-FHA insured mortgages which meet the eligibility criteria of the Act.

Section 247(d) limits assistance to five years from the time the mortgage is closed.

Section 247(e) requires the assistance be repaid and authorizes the Secretary to place a second lien on property loans which are being assisted under the Act to secure the debt. The second liens placed on property will increase on a monthly basis as additional assistance is provided. The second lien is repayable when the property is sold or refinanced. It is also due if the owner no longer uses the property as his principle residence or upon circumstances as determined by the Secretary. The assistance is repaid without interest. Moreover the amount to be repaid will be the lesser of the amount of assistance or 60% of net equity. For purposes of this Act net equity means that sum of the owner's down payment, principle payments, and appreciation as well as any other amounts the Secretary requires minus the cost of the transaction which requires the repayment as determined by the Secretary.

Section 247(f) defines the procedure for determining the amount of assistance to be paid. Under this section the assistance will be limited to an amount equal to a mortgage rate that is four percent less than the market rate, as determined by the Secretary or the amount needed to reduce the mortgage rate to 11% whichever is less.

Section 247(g) establishes the eligibility requirements for families and homes eligible for assistance. An eligible family cannot have had a total family income in excess of $30,000 for the year preceding the application for a loan except in high cost areas where the Secretary will have the authority to establish higher income limits where necessary for families to qualify for the higher mortgage amounts allowable under subsection (g)(2). In no case shall a family with an income of more than $37,000 be eligible under this Act. In keeping with the intent to target assistance to lower income families the Secretary should limit higher income allowances to the minimum necessary to qualify for a mortgage in that area.

Eligible mortgages are limited to $67,500 except in high cost areas, as defined by Section 203(b) of the National Housing Act. In those areas the Secretary is authorized to increase the eligible mortgage amount by up to 115% of $67,500. In establishing higher mortgage limits the Secretary should attempt to minimize the increase to an amount consistent with the market area. The Secretary should not establish limits higher than those currently allowed under Section 203 (b) if those limits are less than 115% of $67,500.

In cases where the Secretary has authorized a mortgage in excess of $67,500, assistance payments shall be limited on a monthly basis to an amount equal to the amount of assistance the Secretary would have provided if the mortgage had been $67,500. Total assistance to any family under this Act will be limited to $13,245.

To be eligible a house must have been constructed, manufactured, or substantially rehabilitated after the date of enactment and before January 1, 1983.

An eligible mortgage must provide for complete amortization within thirty years and provide that monthly payments will increase during the second, third, fourth, fifth, and sixth year by an amount equal to .75% of the original mortgage amount. These additional payments must be applied to reduce the principle obligation of the mortgage. After the sixth year the monthly mortgage payment will remain fixed at the level required during the sixth year until the loan

is repaid. The Secretary should adjust the sixth year payment to ensure that the remaining payments are equal to the original monthly payment that would have been required in the first year if no assistance had been provided.

Loans under this Act must be accompanied by a full disclosure of the terms, conditions, and effects of the adjustments in payments. This disclosure should include a monthly payment schedule for the term of the loan and a clear description of the repayment of assistance required upon disposition of the property.

The loan must be originated by a lender who is responsible and able to service the loan. For purposes of the Act, lender participation should not be limited to FHA approved lenders. To be consistent with Section 247(j) the Secretary shall utilize the greatest number of lenders possible.

In addition to the disclosure requirements of 247(g)(6) and the other requirements of this Act on loans made to finance the purchase of manufactured homes other than as real property must meet the requirements of the regulations issued under 501(c) of the Depository Institutions Deregulation and Monetary Control Act of 1980.

The Secretary is authorized to prescribe additional terms and conditions and set interest rates but these additional terms and conditions should be minimized to allow the widest and most rapid implementation of the program possible.

Section 247(h) establishes the allocation formula by which funds are to be allocated to the states. Under this section the Secretary shall allocate one-third of the funds on the basis of the ratio of the population of each state to the population of all states, one-third of the funds on the basis of the percentage decline in one-to-four-family housing starts measured from 1978 to 1981 relative to the percentage decline for all states, and one-third of the funds on the basis of each state's number of unemployed persons for the most recent 3-month period for which data are available prior to the allocation to the number of unemployed persons for all states for such 3-month periods. The Secretary shall utilize the best available data for each formula factor regardless of its source to assure the most accurate and effective allocation of funds. The attached table was the basis for the Committee's action, because unemployment data changes monthly the final allocation by the Secretary will vary from this table.

Section 247(i) provides eligibility for loans made pursuant to this Act within the purchase and other programs of FNMA and FHLMC.

Section 247(j) requires the Secretary to establish procedures which will assure the widest use of funds and greater number of participating lenders. The Secretary should establish procedures which will prevent monopolization of funds by a few institutions to the extent possible.

Within this section the Secretary shall also limit the amount of time commitment authority can remain outstanding and unused to ninety days. Where commitment authority cannot be promptly utilized the Secretary shall reissue unused commitment authority within the requirements of this section to other areas and lenders within the state which can demonstrate an ability to promptly and fully utilize such authority within the requirements of the Act.

To further speed utilization of funds under the Act the Secretary is required, not withstanding any other provision of law, to issue final regulations make allocations, and begin to issue commitments within 30 days of enactment. The Secretary should make every effort to fully and promptly utilize all authority under this Act.

Section 247(k) authorizes 5,120,000,000 for the purposes of this Act. Sums appropriated under the authority of this Act must be commited prior to November 1, 1982.

Section 2 amends Section 529(a) of the National Housing Act to include loans assisted under this Act.

RATIO ALLOCATION FORMULA FOR S. 2226

[In percent]

State	Share of population	Unemployment	Decline in housing	Share of funds under S. 2226
Alabama	1.72	2.0	−51.0	1.8328
Alaska	.18	.2	−72.8	1.6397
Arizona	1.20	.1	−57.8	1.4295
Arkansas	1.01	1.1	−28.2	1.0567
California	10.45	11.4	−55.0	7.3674
Colorado	1.28	1.0	−52.9	1.4076
Connecticut	1.37	1.1	−45.2	1.4206
Delaware	.26	.2	−38.5	.6567
Flo ida	4.30	3.7	−32.7	3.1301
Georgia	2.41	2.1	−30.1	1.8585
Hawaii	.43	.3	−50.0	.8561
Idaho	.42	.4	−71.6	1.1660
Illinois	5.04	5.4	−80.3	4.5236
Indiana	2.42	3.6	−62.3	2.7291
Iowa	1.29	1.2	−67.8	1.6714
Kansas	1.04	.6	−47.6	1.1503
Kentucky	1.62	1.8	−59.5	1.8519
Louisiana	1.86	1.8	−49.2	1.8334
Maine	.50	.4	−51.5	.9377
Maryland	1.86	1.9	−34.8	1.7192
Massachusetts	2.53	2.3	−29.1	2.0203
Michigan	4.09	.7	−67.8	4.3854
Minnesota	1.80	1.5	−57.9	1.8083
Mississippi	1.11	1.1	−51.2	1.3672
Missouri	2.17	2.0	−65.8	2.1966
Montana	.35	.3	−76.6	1.1668
Nebraska	.69	.4	−51.2	1.0393
Nevada	.35	.4	−64.6	1.488
New Hampshire	.41	.3	−33.8	.6477
New Jersey	3.25	2.9	−45.5	2.6252
New Mexico	.57	.5	−56.1	1.0474
New York	7.75	6.8	−40.0	5.3537
North Carolina	2.59	2.2	−49.8	2.1806
North Dakota	.29	.2	−70.8	1.0329
Ohio	4.77	6.7	−64.7	4.5985
Oklahoma	1.34	.6	−38.8	1.1395
Oregon	1.16	1.7	−66.8	1.7783
Pennsylvania	5.24	5.6	−50.5	4.2886
Rhode Island	.42	.4	−45.2	.8302
South Carolina	1.38	1.5	−48.2	1.5380
South Dakota	.30	.2	−61.0	.9259
Tennessee	2.03	2.4	−52.2	2.1131
Texas	6.28	3.6	−32.4	3.8308
Utah	.65	.5	−68.4	1.2345
Vermont	.23	.2	−29.5	.4973
Virginia	2.36	1.9	−38.9	1.8809
Washington	1.82	2.5	−61.1	2.1538
West Virginia	.86	.9	−56.8	1.2826
Wisconsin	2.08	2.3	−67.6	2.3119
Wyoming	.21	.1	−50.9	.7435
District of Columbia	.28	.3	−40.0	.6968

[1] As of Mar. 31, 1982.
[2] Source of data Bureau of Census.
[3] Source of data Bureau of Labor Statistics.
[4] Source of data Bureau of Census with State disaggregation of data.

REGULATORY IMPACT STATEMENT

In accordance with paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the Committee has evaluated the regulatory impact of the bill. Because the legislation does not add to requirements now imposed by the various FHA programs and the program is voluntary, the Committee concludes that this legislation will have no regulatory impact.

CORDON RULE

In the opinion of the Committee, it is necessary to dispense with the requirements of subsection 4 of rule XXIX of the Standing Rules of the Senate in order to expedite the business of the Senate in connection with this report.

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: S. 2226.

2. Bill title: A bill to amend the National Housing Act to provide for emergency interest reduction payments and for other purposes.

3. Bill status: As ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs, April 14, 1982.

4. Bill purpose: If enacted, the bill would create a new homeownership subsidy program administered by the Department of Housing and Urban Development (HUD) that would assist purchasers of newly constructed units. The assistance would be in the form of interest reduction payments lowering the borrower's effective interest rate to the higher of 11 percent per year or 4 percentage points below the market rate. The mortgage would incorporate an accelerated equity repayment feature that would require an increase in the borrower's annual payment of 0.75 percent of the original loan amount at the beginning of each of the second through the sixth year. All of these payment increases would be applied to reduce the loan's principal balance. An assisted loan would be limited to $67,500 and the borrower's total family income could not exceed $30,000 per year, except that HUD would have the authority to increase both of these amounts within limits specified in the bill. Assistance for a given loan could be provided for no longer than 5 years and in no event could total assistance be more than $13,245. The federal subsidy would constitute a second lien on the mortgaged security and would be repayable—up to 60 percent of the borrower's net equity—upon sale or renting of the property or refinancing of the loan. The bill would authorize the appropriation of $5.12 billion to fund the new program. The appropriated amounts would remain available for commitment until November 1, 1982.

5. Cost estimate: The estimated budget impact of S. 2226 is summarized below:

Authorization level:

Fiscal year:	*Millions*
1982	$5,120
1983	------
1984	------
1985	------
1986	------
1987	------

Estimated outlays:
Fiscal year:

1982	5
1983	920
1984	1,025
1985	1,025
1986	1,025
1987	1,025

6. Basis of estimate: The bill authorizes the appropriation of $5.12 billion to remain available for commitment until November 1, 1982. For this cost estimate, it was assumed that the full amount authorized would be appropriated and committed. It was also assumed that market interest rates during the period the funds were committed would be such that the assistance provided would lower the effective rate to the borrower the full 4 percentage points allowed. Under these assumptions and at the basic maximum mortgage amount of $67,500 specified by S. 2226, the authorization level would be sufficient to provide assistance for 5 years for about 400,000 units.

It is likely that federal expenditures resulting from the bill would eventually total the amount appropriated. Annual outlays, however, especially for fiscal years 1982 and 1983, will depend heavily on the timing of Congressional action on S. 2226 and the necessary appropriation act and on HUD's ability to expedite loan processing under the new program. The outlay estimates shown above assume that appropriations would be available in early June and that HUD could begin making commitments in July. Further, it was assumed that HUD would move rapidly to bring loans to final endorsement so that payments could begin in late September.

Under the provisions of the bill, all interest reduction payments provided would represent a federal loan to the assisted borrower. This loan is payable (in an amount up to 60 percent of net equity) upon sale or renting of the residence or refinancing of the loan. The effects of this provision would likely not be significant for several years and are not included in this estimate. The long-term costs of the program would, however, be substantially less than its 5-year budget impact.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Brent Shipp.

10. Estimate approved by:

JAMES L. BLUM,
Assistant Director for Budget Analysis.

ADDITIONAL VIEWS OF SENATORS RIEGLE, CRANSTON, DIXON, DODD, PROXMIRE, SARBANES, AND SASSER

By reporting this bill, the Committee has taken an important step to relieve the desperate plight of the homebuilding industry and ease the recession that afflicts the entire economy. A full economic recovery cannot occur until the Administration brings an end to the current conflict between its fiscal and monetary policies and creates a climate for lower interest rates. Nevertheless, a targeted housing stimulus program is vitally needed now to avoid severe damage to major U.S. industries and to many thousands of workers whose livelihoods depend directly or indirectly on home construction.

We have strongly supported a legislative package to provide an effective housing stimulus program, which was developed by the Democratic Task Force on the House Crisis. A version of this package offered by the Ranking Minority Member of the Committee but opposed by the majority, included the following features:

(1) Homebuyer assistance to lower interest costs and down payments;

(2) Mortgage and income limits keyed to local housing costs and income levels;

(3) Limited assistance for inventory and existing housing;

(4) A choice of mortgage forms; and

(5) A homeowners' default assistance program.

Key elements of this package are similar to the Committee reported bill, and we now urge the Senate leadership to bring the Committee's housing stimulus bill to the Senate floor at the earliest possible date. We will work on a bipartisan basis to enact a workable bill quickly. Action must be prompt if real assistance is to be provided in the construction season that is already upon us.

We are confident that the Congress will find ways to refine provisions of the reported bill that may unnecessarily increase its costs or make it unworkable in some areas of the country. We are concerned that the reported bill mandates the use of a new graduated equity mortgage mechanism that may make the program less desirable to prospective purchasers and could increase the risk of default on these homes.

The most notable omission from the reported bill, in our opinion, is the lack of any provision to help homeowners who are involuntarily unemployed or underemployed avoid foreclosure on their homes. Mortgage delinquencies and foreclosures have reached near-record levels, with as many as 150,000 families currently three months delinquent on their mortgage payments and in imminent danger of losing their homes.

We believe that both reduced opportunities for homebuying and increased delinquencies among unemployed workers are serious consequences of the current recession and should be addressed together. It would be illogical for the Congress to provide aid for those families

who want to buy a new home but deny aid to unemployed homeowners who are struggling to hold onto their homes. Such illogic would weaken any effort to provide a consistent or adequate response to the serious housing problems created by the current economic crisis.

Default assistance is not a new concept. A program of homeowner default assistance was enacted with bipartisan support during the 1975 recession, although it was not triggered. We offered an amendment in Committee to provide such assistance as a necessary component of this housing stimulus legislation.

We support legislation that would aid 100,000 homeowners who are subject to foreclosure as a result of involuntary unemployment or underemployment. This is the number of eligible persons that the Library of Congress estimates would apply for assistance under the measure. The assistance, which would take the form of a loan to the homeowner, would be the lesser of $600 per month or 80 percent of the monthly mortgage, taxes and insurance costs, and would be provided for a maximum of twenty-one months—three months of arrears, a basic assistance period of twelve months, and a six-month extension of assistance where necessary. The program would go into effect nationwide when the average national delinquency rate reached fifteen percent above the national unemployment rate Because the national delinquency rate currently exceeds the trigger in the legislation, the program would become effective across the nation upon enactment, assuming no changes in the delinquency rate.

The cost of such a default assistance program would total $750 million in budget authority and outlays over the five years from FY 1982 to FY 1987, but this amount would be reduced by repayments from homeowners who returned to work.

The people who would receive assistance under this program have had a record of steady employment and successful homeownership. The current recession has severely affected their ability to make their mortgage payments, but there is every reason to believe that once they return to work they will be able to resume their mortgage obligations and repay the assistance that the federal government would provide them.

We believe that the Congress must provide a response to those facing the loss of their homes.

Don Riegle.
Christopher J. Dodd.
Alan J. Dixon.
Bill Proxmire.
Alan Cranston.
Jim Sasser.
Paul Sarbanes.

ADDITIONAL VIEWS OF SENATOR SASSER

In less than six weeks, a key piece of housing stimulus legislation has been introduced, heard in committee, marked up and reported to the Senate. The dispatch with which S. 2226 has been handled is a reflection both of the urgent need for such legislation and of the bipartisan commitment of the Senate Banking Committee to putting this much-needed stimulus package into effect.

As an original cosponsor of S. 2226, and as a supporter of the principles of the housing stimulus program endorsed by the Democratic Task Force on the Housing Crisis, I am encouraged that a prompt, bipartisan response to the growing housing depression will help promote economic recovery in this industry.

We do not have several months to fine-tune every provision of a final package. To delay at this point—with unemployment in residential construction nearing 20 percent and business failures in construction-related industries at record highs—would dramatically reduce the positive economic effects of S. 2226. When housing starts drop to below half of estimated demand, as they have; when thousands of contractors and their crews disperse, as they are doing; when demand is pent up within the baby-boom market as it increasingly is; the pressure on the market continues to build. Without enactment of S. 2226, that pent-up demand will produce severe inflation in our housing markets in the years ahead.

We can take action now to avoid that outcome. By enacting S. 2226, the Congress can begin to reverse the effects of the most severe and prolonged housing slump in post-war history. By enacting S. 2226, Congress can encourage the construction of some 450,000 housing units and the reemployment of some 700,000 individuals in housing and housing-related industries.

S. 2226 has the full endorsement of the National Association of Homebuilders (NAHB). Their own research and analysis amply documents the beneficial economic effects of this far-reaching legislation.

Many of my colleagues are rightly concerned that we cannot have a lasting economic recovery unless housing leads the way. I am confident that the United States Congress, in a bipartisan effort, will pass S. 2226 in the very near future. And I believe this legislation should be embraced by the Administration if they are truly serious about helping the housing industry out of the current recession.

JIM SASSER.

ADDITIONAL VIEWS OF SENATOR WILLIAM PROXMIRE

I voted to approve S. 2226 and report it to the full Senate with mixed feelings. It may be better than nothing, but its success depends on a swift and sure reduction of Federal borrowing.

This is a very difficult bill because there are sharp differences of opinion on the effect of this legislation. The reason is because the fundamental problem in the homebuilding industry and in our economy today is high interest rates which are caused by our massive Federal borrowing present and prospective, including off-budget borrowing and borrowing to finance the deficit.

We should squarely face the fact that this measure will require $26 billion of additional Government subsidized credit at a time when the Government has driven interest rates through the roof with its colossal demands for credit which result in even higher interest rates.

Chairman Volcker of the Federal Reserve has stated that the Federal Reserve will not depart from its present monetary policy for controlling inflation. Therefore, unless the Administration and the Congress can reduce the huge budget deficit projected for 1983, the $26 billion additional credit used by new subsidized housing would come at the expense of other borrowing by other areas of the economy, primarily other housing, but including the auto industry, small business, and agriculture.

As long as there is no change in fiscal policy, S. 2226 is unlikely to be a very substantial additional stimulus.

BILL PROXMIRE.

○